

REMSEN-UNION  
COMMUNITY SCHOOL DISTRICT

Remsen, Iowa

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Independent Auditor's Reports  
Basic Financial Statements and Supplemental Information  
Schedule of Findings

June 30, 2004

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

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REMSEN-UNION COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2004

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION  
(Before September 2003 Election)

Keith Ahlers	President	September 2005
Tony Paskert	Vice President	September 2004
Phil Ahlers	Board Member	September 2003
Mark Kunkel	Board Member	September 2004
Jill Utesch	Board Member	September 2006

BOARD OF EDUCATION  
(After September 2003 Election)

Keith Ahlers	President	September 2005
Tony Paskert	Vice President	September 2004
Mark Kunkel	Board Member	September 2004
Jill Utesch	Board Member	September 2006
Mark Wurth	Board Member	September 2006

SCHOOL OFFICIALS

Gary Battles	Superintendent	June 30, 2004
Clint Leonard	Secretary/Treasurer	June 30, 2004
Barry Thompson	Attorney	Indefinite
James Hanks	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Remsen-Union Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Remsen-Union Community School District (the District), Remsen, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District at June 30, 2004 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the financial statements, during the year ended June 30, 2004, the District adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.



To the Board of Education of  
Remsen-Union Community School District

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 6, 2004  
Sioux City, Iowa

*King, Reinsch, Prosser & Co., L.L.P.*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Remsen-Union Community School District (the District) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2004 Financial Highlights**

- General Fund revenues decreased from \$3,353,648 in fiscal 2003 to \$3,225,053 in fiscal 2004, and General Fund expenditures decreased from \$3,161,859 in fiscal 2003 to \$3,119,736 in fiscal 2004. The District's General Fund balance increased from \$1,171,278 in fiscal 2003 to \$1,286,532 in fiscal 2004, a 9.8% increase.
- The decrease in General Fund revenues was primarily attributable to declining enrollment resulting in lower state grant money during the year. The decrease in General Fund expenditures was due primarily to lower staff levels and lower utilities costs during the year. The net effect of these factors resulted in an increase in General Fund balance.

### **Using This Annual Report**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

### **Reporting the District's Financial Activities**

*Government-Wide Financial Statements* - The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business Type Activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and building trades programs are included here.

*Fund Financial Statements* - The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds.

1. Governmental Funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Management Levy, Debt Service, Student Activity, Capital Projects and Physical Plant and Equipment Levy Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary Funds - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, are the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Building Trades Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### **Government-Wide Financial Analysis**

Figure A-1 below provides a summary of the District's net assets at June 30, 2004.

Figure A-1 Condensed Statement of Net Assets (In Thousands)			
	Governmental	Business	Total
	Activities	Type Activities	District
Current and other assets	\$ 4,134	\$ 144	\$ 4,278
Capital assets, net	2,364	4	2,368
Total assets	<u>\$ 6,498</u>	<u>\$ 148</u>	<u>\$ 6,646</u>
Long-term liabilities	\$ 1,970	\$ 120	\$ 2,090
Other liabilities	2,182	-	2,182
Total liabilities	<u>\$ 4,152</u>	<u>\$ 120</u>	<u>\$ 4,272</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 831	\$ 4	\$ 835
Restricted	670	-	670
Unrestricted	<u>845</u>	<u>24</u>	<u>869</u>
Total net assets	<u>\$ 2,346</u>	<u>\$ 28</u>	<u>\$ 2,374</u>



A large portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-2 shows the change in net assets for the year ended June 30, 2004.

Figure A-2 Changes in Net Assets (In Thousands)			
	Governmental	Business	Total
	Activities	Type Activities	District
Revenues:			
Program revenues:			
Charges for services	\$ 286	\$ 83	\$ 369
Operating grants, contributions and restricted interest	558	48	606
General revenues:			
Property tax	2,007	-	2,007
Unrestricted state grants	816	-	816
Unrestricted investment earnings	44	-	44
Other	11	-	11
Total revenues	<u>\$ 3,722</u>	<u>\$ 131</u>	<u>\$ 3,853</u>
Program expenses:			
Instruction	\$ 2,360	\$ -	\$ 2,360
Support services	838	-	838
Non-instructional programs	-	123	123
Other expenses	200	-	200
Total expenses	<u>\$ 3,398</u>	<u>\$ 123</u>	<u>\$ 3,521</u>
Change in net assets	<u>\$ 324</u>	<u>\$ 8</u>	<u>\$ 332</u>

Property tax and unrestricted state grants account for 73.3% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90.8% of the total expenses.

Governmental Activities - Revenues for governmental activities were \$3,722,421 and expenses were \$3,398,072. In a year in which state grant dollars decreased, the District was able to keep expenses low enough to match revenues.

The following table presents the total and net cost of the District's major governmental activities: Instruction, support services, and other expenses.

Figure A-3  
Total and Net Cost of  
Governmental Activities  
(In Thousands)

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 2,360	\$ 1,740
Support services	838	762
Other expenses	<u>200</u>	<u>52</u>
Totals	<u>\$ 3,398</u>	<u>\$ 2,554</u>

- The cost financed by users of the District's programs was \$286,204.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$557,546.
- The net cost of governmental activities was financed with \$2,007,500 in property and other taxes and \$816,124 in unrestricted state grants.

*Business Type Activities* - Revenues for business type activities were \$131,468 and expenses were \$123,014. The District's business type activities consist of the School Nutrition and Building Trades Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **Governmental Fund Analysis**

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,956,881, below last year's ending fund balances of \$3,470,339. The District's proprietary fund reported end of year net assets of \$28,145, above last year's ending net assets of \$19,691.

### **Governmental Fund Highlights**

The District's General Fund maintains a strong financial position with \$1,286,532 in its fund balance at June 30, 2004. The District has experienced some decline in enrollment and lower state grant money; however, the District was able to lower expenses enough to match revenues.

The District's PPEL Fund balance decreased \$1,643,109 due to \$1,731,306 spent primarily on classroom additions and other building improvements in the current year. The PPEL Fund had received proceeds from the issuance of general obligation capital loan notes in the prior year to finance these expenditures. The PPEL Fund balance has \$577,245 at June 30, 2004 with approximately \$440,000 remaining in unspent capital loan note proceeds.

### Proprietary Fund Highlights

Revenues for business type activities were \$131,468 and expenses were \$123,014. The District's business type activities consist of the School Nutrition and Building Trades Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### Budgetary Highlights

The District's actual receipts were slightly greater than budget due to no unexpected changes in revenue sources. Its actual disbursements were less than budget due to effective management of expenditures.

### Capital Assets and Debt Administration

Capital Assets - At June 30, 2004, the District had invested \$2,363,707, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$136,525.

The original cost of the District's capital assets was \$3,989,634. Governmental funds account for \$3,967,867, with the remainder of \$21,767 accounted for in the Proprietary, School Nutrition Fund.

Figure A-4 - Capital Assets, Net of Depreciation (In Thousands)			
	Governmental Activities	Business Type Activities	Total District
Land	\$ 50	\$ -	\$ 50
Buildings and improvements	2,112	-	2,112
Vehicles	48	-	48
Machinery and equipment	154	4	158
Totals	<u>\$ 2,364</u>	<u>\$ 4</u>	<u>\$ 2,368</u>

Long-Term Debt - At June 30, 2004, the District had \$1,970,000 general obligation capital loan notes and \$120,000 note payable outstanding. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

During June 2003, the District issued \$2,170,000 general obligation capital loan notes for the purpose of repairing, remodeling, reconstructing, improving and/or expanding the school houses, buildings (or additions), grounds and/or purchasing certain equipment.

A voter-approved physical plant and equipment levy (PPEL), equal to \$1.34 per thousand dollars of assessed value, will provide funds to pay for the amount of principal and interest due each year until maturity. This levy became effective for the fiscal year ending June 30, 2004.

### **Economic Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

The District has experienced declining enrollment in recent years.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Clint Leonard, Secretary/Treasurer, Remsen-Union Community School District, 511 Roosevelt Street, Remsen, Iowa 51050.

## BASIC FINANCIAL STATEMENTS

REMSEN-UNION COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET ASSETSJUNE 30, 2004

	Governmental Activities	Business Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,159,773	\$ 20,728	\$ 2,180,501
Receivables:			
Property tax:			
Current year	28,660	-	28,660
Succeeding year	1,864,489	-	1,864,489
Accounts	77,520	-	77,520
Inventories	3,781	5,446	9,227
Land and building held for sale	-	118,061	118,061
Capital assets, net of accumulated depreciation	<u>2,363,707</u>	<u>3,910</u>	<u>2,367,617</u>
Total assets	<u>\$ 6,497,930</u>	<u>\$ 148,145</u>	<u>\$ 6,646,075</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 27,826	\$ -	\$ 27,826
Salaries and benefits payable	285,027	-	285,027
Accrued interest payable	4,597	-	4,597
Deferred revenue - succeeding year property tax	1,864,489	-	1,864,489
Long-term liabilities:			
General obligation capital loan notes - due within one year	200,000	-	200,000
General obligation capital loan notes - due after one year	1,770,000	-	1,770,000
Note payable - due within one year	-	120,000	120,000
Total liabilities	<u>\$ 4,151,939</u>	<u>\$ 120,000</u>	<u>\$ 4,271,939</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	\$ 830,892	\$ 3,910	\$ 834,802
Restricted for:			
Management levy	35,315	-	35,315
Physical plant and equipment levy	577,245	-	577,245
Other special revenue purposes	54,938	-	54,938
Capital projects	1,484	-	1,484
Debt service	1,367	-	1,367
Unrestricted	<u>844,750</u>	<u>24,235</u>	<u>868,985</u>
Total net assets	<u>\$ 2,345,991</u>	<u>\$ 28,145</u>	<u>\$ 2,374,136</u>
Total liabilities and net assets	<u>\$ 6,497,930</u>	<u>\$ 148,145</u>	<u>\$ 6,646,075</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>
<b>FUNCTIONS/PROGRAMS:</b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,541,742	\$ 179,065	\$ 327,589
Special instruction	431,705	9,993	6,606
Other instruction	<u>386,900</u>	<u>97,146</u>	<u>-</u>
	<u>\$ 2,360,347</u>	<u>\$ 286,204</u>	<u>\$ 334,195</u>
Support services:			
Student services	\$ 13,660	\$ -	\$ -
Instructional staff services	42,080	-	-
Administration services	261,455	-	-
Operation and maintenance of plant services	304,964	-	-
Transportation services	<u>215,857</u>	<u>-</u>	<u>75,972</u>
	<u>\$ 838,016</u>	<u>\$ -</u>	<u>\$ 75,972</u>
Other expenditures:			
Long-term debt interest	\$ 52,330	\$ -	\$ -
AEA flow through	<u>147,379</u>	<u>-</u>	<u>147,379</u>
	<u>\$ 199,709</u>	<u>\$ -</u>	<u>\$ 147,379</u>
Total governmental activities	<u>\$ 3,398,072</u>	<u>\$ 286,204</u>	<u>\$ 557,546</u>
Business type activities:			
Non-instructional programs:			
Food service operations	<u>\$ 123,014</u>	<u>\$ 83,581</u>	<u>\$ 47,518</u>
Total business type activities	<u>\$ 123,014</u>	<u>\$ 83,581</u>	<u>\$ 47,518</u>
Total	<u><u>\$ 3,521,086</u></u>	<u><u>\$ 369,785</u></u>	<u><u>\$ 605,064</u></u>
<b>GENERAL REVENUES:</b>			
Property tax levied for:			
General purposes			
Debt service			
Management levy			
Physical plant and equipment levy			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year, as restated			
Net assets end of year			

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (1,035,088)	\$ -	\$ (1,035,088)
(415,106)	-	(415,106)
<u>(289,754)</u>	<u>-</u>	<u>(289,754)</u>
\$ <u>(1,739,948)</u>	\$ <u>-</u>	\$ <u>(1,739,948)</u>
\$ (13,660)	\$ -	\$ (13,660)
(42,080)	-	(42,080)
(261,455)	-	(261,455)
(304,964)	-	(304,964)
<u>(139,885)</u>	<u>-</u>	<u>(139,885)</u>
\$ <u>(762,044)</u>	\$ <u>-</u>	\$ <u>(762,044)</u>
\$ (52,330)	\$ -	\$ (52,330)
-	-	-
\$ <u>(52,330)</u>	\$ <u>-</u>	\$ <u>(52,330)</u>
\$ <u>(2,554,322)</u>	\$ <u>-</u>	\$ <u>(2,554,322)</u>
\$ -	\$ 8,085	\$ 8,085
\$ -	\$ 8,085	\$ 8,085
\$ <u>(2,554,322)</u>	\$ <u>8,085</u>	\$ <u>(2,546,237)</u>
\$ 1,643,794	\$ -	\$ 1,643,794
248,106	-	248,106
50,572	-	50,572
65,028	-	65,028
816,124	-	816,124
43,626	369	43,995
<u>11,421</u>	<u>-</u>	<u>11,421</u>
\$ <u>2,878,671</u>	\$ <u>369</u>	\$ <u>2,879,040</u>
\$ 324,349	\$ 8,454	\$ 332,803
<u>2,021,642</u>	<u>19,691</u>	<u>2,041,333</u>
\$ <u>2,345,991</u>	\$ <u>28,145</u>	\$ <u>2,374,136</u>



## REMSEN-UNION COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDSJUNE 30, 2004

	<u>General</u>	Physical Plant and Equipment <u>Levy</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS:				
Cash and pooled investments	\$ 1,495,080	\$ 572,616	\$ 92,077	\$ 2,159,773
Receivables:				
Property tax:				
Current year	23,314	4,629	717	28,660
Succeeding year	1,512,999	292,997	58,493	1,864,489
Accounts	77,210	-	310	77,520
Inventory	<u>3,781</u>	<u>-</u>	<u>-</u>	<u>3,781</u>
Total assets	<u>\$ 3,112,384</u>	<u>\$ 870,242</u>	<u>\$ 151,597</u>	<u>\$ 4,134,223</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 27,826	\$ -	\$ -	\$ 27,826
Salaries and benefits payable	285,027	-	-	285,027
Deferred revenue:				
Succeeding year property tax	<u>1,512,999</u>	<u>292,997</u>	<u>58,493</u>	<u>1,864,489</u>
Total liabilities	<u>\$ 1,825,852</u>	<u>\$ 292,997</u>	<u>\$ 58,493</u>	<u>\$ 2,177,342</u>
Fund balances:				
Reserved for debt service	\$ -	\$ -	\$ 1,367	\$ 1,367
Unreserved	<u>1,286,532</u>	<u>577,245</u>	<u>91,737</u>	<u>1,955,514</u>
Total fund balances	<u>\$ 1,286,532</u>	<u>\$ 577,245</u>	<u>\$ 93,104</u>	<u>\$ 1,956,881</u>
Total liabilities and fund balances	<u>\$ 3,112,384</u>	<u>\$ 870,242</u>	<u>\$ 151,597</u>	<u>\$ 4,134,223</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDSTO THE STATEMENT OF NET ASSETSJUNE 30, 2004

Total fund balances of governmental funds	\$ 1,956,881
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,363,707
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,597)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,970,000)</u>
Net assets of governmental activities	<u>\$ 2,345,991</u>

## REMSEN-UNION COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -GOVERNMENTAL FUNDSYEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Physical Plant and Equipment Levy</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 1,643,794	\$ 65,028	\$ 300,162	\$ 2,008,984
Tuition	85,364	-	-	85,364
Other	122,226	23,169	99,072	244,467
State sources	1,203,310	-	-	1,203,310
Federal sources	<u>170,359</u>	<u>-</u>	<u>-</u>	<u>170,359</u>
Total revenues	<u>\$ 3,225,053</u>	<u>\$ 88,197</u>	<u>\$ 399,234</u>	<u>\$ 3,712,484</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,535,382	\$ -	\$ 4,467	\$ 1,539,849
Special instruction	418,375	-	332	418,707
Other instruction	<u>290,215</u>	<u>-</u>	<u>87,668</u>	<u>377,883</u>
	<u>\$ 2,243,972</u>	<u>\$ -</u>	<u>\$ 92,467</u>	<u>\$ 2,336,439</u>
Support services:				
Student services	\$ 13,171	\$ -	\$ 80	\$ 13,251
Instructional staff services	40,812	-	-	40,812
Administration services	253,011	-	583	253,594
Operation and maintenance of plant services	256,404	-	40,594	296,998
Transportation services	<u>164,987</u>	<u>-</u>	<u>3,380</u>	<u>168,367</u>
	<u>\$ 728,385</u>	<u>\$ -</u>	<u>\$ 44,637</u>	<u>\$ 773,022</u>
Other expenditures:				
Facilities acquisition	\$ -	\$ 1,731,306	\$ -	\$ 1,731,306
Long-term debt:				
Principal	-	-	200,000	200,000
Interest	-	-	47,733	47,733
AEA flow through	<u>147,379</u>	<u>-</u>	<u>-</u>	<u>147,379</u>
	<u>\$ 147,379</u>	<u>\$ 1,731,306</u>	<u>\$ 247,733</u>	<u>\$ 2,126,418</u>
Total expenditures	<u>\$ 3,119,736</u>	<u>\$ 1,731,306</u>	<u>\$ 384,837</u>	<u>\$ 5,235,879</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 105,317</u>	<u>\$ (1,643,109)</u>	<u>\$ 14,397</u>	<u>\$ (1,523,395)</u>
Other financing sources:				
Sale of equipment	<u>\$ 9,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,937</u>
Net change in fund balances	\$ 115,254	\$ (1,643,109)	\$ 14,397	\$ (1,513,458)
Fund balances beginning of year	<u>1,171,278</u>	<u>2,220,354</u>	<u>78,707</u>	<u>3,470,339</u>
Fund balances end of year	<u>\$ 1,286,532</u>	<u>\$ 577,245</u>	<u>\$ 93,104</u>	<u>\$ 1,956,881</u>

REMSSEN-UNION COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$ (1,513,458)
--	----------------

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are capitalized in the Statement of Net Assets and are expensed over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,777,115	
Depreciation expense	<u>(134,711)</u>	1,642,404

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

200,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(4,597)

Change in net assets of governmental activities

\$ 324,349

REMSEN-UNION COMMUNITY SCHOOL DISTRICTSTATEMENTS OF NET ASSETS - PROPRIETARY FUNDSJUNE 30, 2004

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 18,789	\$ 1,939	\$ 20,728
Inventories	5,446	-	5,446
Land and building held for sale	-	118,061	118,061
Capital assets, net of accumulated depreciation	<u>3,910</u>	<u>-</u>	<u>3,910</u>
Total assets	<u>\$ 28,145</u>	<u>\$ 120,000</u>	<u>\$ 148,145</u>
LIABILITIES:			
Note payable	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 120,000</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 3,910	\$ -	\$ 3,910
Unrestricted	<u>24,235</u>	<u>-</u>	<u>24,235</u>
Total net assets	<u>\$ 28,145</u>	<u>\$ -</u>	<u>\$ 28,145</u>
Total liabilities and net assets	<u>\$ 28,145</u>	<u>\$ 120,000</u>	<u>\$ 148,145</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICTSTATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -PROPRIETARY FUNDSYEAR ENDED JUNE 30, 2004

	<u>School Nutrition</u>	<u>Building Trades</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 83,581	\$ -	\$ 83,581
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	\$ 41,569	\$ -	\$ 41,569
Benefits	5,406	-	5,406
Purchased services	1,151	-	1,151
Supplies	73,074	-	73,074
Depreciation	1,814	-	1,814
Total operating expenses	\$ 123,014	\$ -	\$ 123,014
Operating loss	\$ (39,433)	\$ -	\$ (39,433)
Non-operating revenues:			
Interest income	\$ 369	\$ -	\$ 369
State sources	2,288	-	2,288
Federal sources	34,154	-	34,154
Food distribution	11,076	-	11,076
Total non-operating revenues	\$ 47,887	\$ -	\$ 47,887
Change in net assets	\$ 8,454	\$ -	\$ 8,454
Net assets beginning of year	19,691	-	19,691
Net assets end of year	\$ 28,145	\$ -	\$ 28,145

## REMSEN-UNION COMMUNITY SCHOOL DISTRICT

## STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2004

	School Nutrition	Building Trades	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 83,581	\$ -	\$ 83,581
Cash paid to employees for services	(48,126)	-	(48,126)
Cash paid to suppliers for goods or services	(57,970)	-	(57,970)
Net cash used by operating activities	<u>\$ (22,515)</u>	<u>\$ -</u>	<u>\$ (22,515)</u>
Cash flows from non-capital financing activities:			
State grants received	\$ 2,288	\$ -	\$ 2,288
Federal grants received	34,154	-	34,154
Net cash provided by non-capital financing activities	<u>\$ 36,442</u>	<u>\$ -</u>	<u>\$ 36,442</u>
Cash flows from investing activities:			
Purchase of land and building held for sale	\$ -	\$ (118,061)	\$ (118,061)
Interest on investments	369	-	369
Net cash provided (used) by investing activities:	<u>\$ 369</u>	<u>\$ (118,061)</u>	<u>\$ (117,692)</u>
Cash flows from financing activities:			
Proceeds from note payable	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 120,000</u>
Net increase in cash and cash equivalents	\$ 14,296	\$ 1,939	\$ 16,235
Cash and cash equivalents beginning of year	<u>4,493</u>	<u>-</u>	<u>4,493</u>
Cash and cash equivalents end of year	<u>\$ 18,789</u>	<u>\$ 1,939</u>	<u>\$ 20,728</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (39,433)	\$ -	\$ (39,433)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	15,315	-	15,315
Depreciation	1,814	-	1,814
(Increase) in inventories	(211)	-	(211)
Net cash used by operating activities	<u>\$ (22,515)</u>	<u>\$ -</u>	<u>\$ (22,515)</u>

## Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$11,076 of federal commodities.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Remsen-Union Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades transitional kindergarten through twelve. In addition, the District either operates or sponsors various adult education programs. The geographic areas served includes the City of Remsen, Iowa, and the predominant agricultural territory in Plymouth County, Iowa. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity - For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the GASB criteria.

B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:



REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation, reduced by outstanding balances for bonds, attributable to the acquisition, construction or improvement of those assets plus unspent bond proceeds.

Restricted Net Assets - Result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - Consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy is used to account for certain costs, primarily land and facilities, improvements and transportation equipment.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The District reports the following major proprietary fund:

The District's proprietary funds consist of the School Nutrition and Building Trades Funds. The School Nutrition Fund is used to account for the food service operations. The Building Trades Fund is used to account for the purchase of land and materials used to build a house as part of a student instructional project.

- C. Measurement Focus and Basis of Accounting - The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, and special termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 except for those that conflict with or contradict GASB pronouncements.

Proprietary funds distinguished operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property tax receivable is recognized in these funds on the legally enforceable claim date, which is the date that the tax asking is certified by the Board of Education. Current year delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$250 and estimated useful lives in excess of two years.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed budgeted amounts in any functional areas.

NOTE 2 - CASH AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 3 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year As Restated <u>(Note 9)</u>	<u>Increases</u>	<u>Decreases</u>	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	<u>-</u>	<u>1,734,396</u>	<u>-</u>	<u>1,734,396</u>
Total capital assets not being depreciated	<u>\$ 50,000</u>	<u>\$ 1,734,396</u>	<u>\$ -</u>	<u>1,784,396</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,071,368	\$ -	\$ -	\$ 1,071,368
Vehicles	416,356	9,169	(56,972)	368,553
Machinery and equipment	<u>775,949</u>	<u>33,550</u>	<u>(65,949)</u>	<u>743,550</u>
Total capital assets depreciated	<u>\$ 2,263,673</u>	<u>\$ 42,719</u>	<u>\$ (122,921)</u>	<u>\$ 2,183,471</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 677,821	\$ 16,256	\$ -	\$ 694,077
Vehicles	273,393	47,490	(56,972)	263,911
Machinery and equipment	<u>641,156</u>	<u>70,965</u>	<u>(65,949)</u>	<u>646,172</u>
Total accumulated depreciation	<u>\$ 1,592,370</u>	<u>\$ 134,711</u>	<u>\$ (122,921)</u>	<u>\$ 1,604,160</u>
Total capital assets being depreciated, net	<u>\$ 671,303</u>	<u>\$ (91,992)</u>	<u>\$ -</u>	<u>\$ 579,311</u>
Total governmental activities capital assets, net	<u>\$ 721,303</u>	<u>\$ 1,642,404</u>	<u>\$ -</u>	<u>\$ 2,363,707</u>
Add: Accumulated depreciation				<u>1,604,160</u>
Total capital assets				<u>\$ 3,967,867</u>
Business type activities:				
Furniture and equipment	\$ 21,767	\$ -	\$ -	\$ 21,767
Less accumulated depreciation	<u>16,043</u>	<u>1,814</u>	<u>-</u>	<u>17,857</u>
Business type activities capital assets, net	<u>\$ 5,724</u>	<u>\$ (1,814)</u>	<u>\$ -</u>	<u>\$ 3,910</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 3 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 47,702
Special	12,998
Other	9,017

Support services:

Student	409
Instructional staff	1,268
Administration	7,861
Operation and maintenance of plant	7,966
Transportation	<u>47,490</u>

Total depreciation expense - governmental activities	<u>\$ 134,711</u>
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Business type activities:

Food service operations	<u>\$ 1,814</u>
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NOTE 4 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
General obligation					
capital loan notes	\$ 2,170,000	\$ -	\$ 200,000	\$ 1,970,000	\$ 200,000
Note payable	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>	<u>120,000</u>
	<u>\$ 2,170,000</u>	<u>\$ 120,000</u>	<u>\$ 200,000</u>	<u>\$ 2,090,000</u>	<u>\$ 320,000</u>

The proceeds from the issuance of the notes have been deposited in the PPEL fund. Approximately \$1,730,000 has been expended as of June 30, 2004 with approximately \$440,000 remaining in unspent capital loan note proceeds.



REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED):

Details of the District's June 30, 2004 general obligation capital loan notes are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	1.40%	\$ 200,000	\$ 49,272	\$ 249,272
2006	1.70%	205,000	46,472	251,472
2007	1.95%	205,000	42,988	247,988
2008	2.30%	210,000	38,990	248,990
2009	2.55%	215,000	34,160	249,160
2010	2.85%	225,000	28,678	253,678
2011	3.00%	230,000	22,266	252,266
2012	3.15%	235,000	15,366	250,366
2013	3.25%	<u>245,000</u>	<u>7,961</u>	<u>252,961</u>
		<u>\$ 1,970,000</u>	<u>\$ 286,153</u>	<u>\$ 2,256,153</u>

The District's note payable is secured by land and a house built as part of a student instructional project. The note bears interest at 5.25 percent and is due in full (with accrued interest) on March 9, 2005. The note is expected to be repaid from proceeds from the sale of the property.

NOTE 5 - PENSION AND RETIREMENT BENEFITS:

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70 percent of their annual covered salary and the District is required to contribute 5.75 percent of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$103,715, \$112,473, and \$116,311, respectively, equal to the required contributions for each year.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 6 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$147,379 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 8 - COMMITMENTS:

At June 30, 2004, the District had entered into a construction contract with \$321,125 remaining to be paid upon completion of the work for classroom additions and building improvements. Also, the District had entered into contracts for parking lot expansion for \$60,787 and playground equipment for \$24,117.

NOTE 9 - ACCOUNTING CHANGE AND RESTATEMENTS:

GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, was implemented for the year ended June 30, 2004. The interpretation modifies when early retirement and other liabilities are recorded under the modified accrual basis of accounting.

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 9 - ACCOUNTING CHANGE AND RESTATEMENTS (CONTINUED):

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities have been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Governmental Funds</u>			
	<u>General</u>	<u>Physical Plant and Equipment Levy</u>	<u>Nonmajor</u>	<u>Total</u>
Net assets June 30, 2003, as previously reported	<u>\$ 1,171,278</u>	<u>\$ 2,220,354</u>	<u>\$ 78,707</u>	\$ 3,470,339
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$1,592,370				721,303
Long-term liabilities:				
General obligation capital loan notes				<u>(2,170,000)</u>
Net assets July 1, 2003, as restated				<u>\$ 2,021,642</u>

## REQUIRED SUPPLEMENTARY INFORMATION

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES

IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Local sources	\$ 2,336,834	\$ 83,950
State sources	1,217,997	2,288
Federal sources	<u>173,924</u>	<u>34,154</u>
Total receipts	<u>\$ 3,728,755</u>	<u>\$ 120,392</u>
Disbursements:		
Instruction	\$ 2,388,917	\$ -
Support services	773,022	-
Non-instructional programs	-	106,096
Other expenditures	<u>2,126,418</u>	<u>-</u>
Total disbursements	<u>\$ 5,288,357</u>	<u>\$ 106,096</u>
(Deficiency) excess of receipts (under) over disbursements	\$ (1,559,602)	\$ 14,296
Other financing sources, net	-	1,939
Balances beginning of year	<u>3,719,375</u>	<u>4,493</u>
Balances end of year	<u>\$ 2,159,773</u>	<u>\$ 20,728</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 2,420,784	\$ 2,404,151	\$ 2,404,151	\$ 16,633
1,220,285	1,208,121	1,208,121	12,164
<u>208,078</u>	<u>208,830</u>	<u>208,830</u>	<u>(752)</u>
<u>\$ 3,849,147</u>	<u>\$ 3,821,102</u>	<u>\$ 3,821,102</u>	<u>\$ 28,045</u>
\$ 2,388,917	\$ 2,479,799	\$ 2,479,799	\$ 90,882
773,022	934,920	934,920	161,898
106,096	150,387	150,387	44,291
<u>2,126,418</u>	<u>2,217,840</u>	<u>2,217,840</u>	<u>91,422</u>
<u>\$ 5,394,453</u>	<u>\$ 5,782,946</u>	<u>\$ 5,782,946</u>	<u>\$ 388,493</u>
\$ (1,545,306)	<u>\$ (1,961,844)</u>	<u>\$ (1,961,844)</u>	<u>\$ 416,538</u>
1,939			
<u>3,723,868</u>			
<u>\$ 2,180,501</u>			

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2004

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 3,728,755	\$ (6,334)	\$ 3,722,421
Expenditures	<u>5,288,357</u>	<u>(52,478)</u>	<u>5,235,879</u>
Net	\$ (1,559,602)	\$ 46,144	\$ (1,513,458)
Beginning balance	<u>3,719,375</u>	<u>(249,036)</u>	<u>3,470,339</u>
Ending balance	<u>\$ 2,159,773</u>	<u>\$ (202,892)</u>	<u>\$ 1,956,881</u>

  

	<u>Proprietary Fund</u>		
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
Revenues	\$ 120,392	\$ 11,076	\$ 131,468
Expenses	<u>106,096</u>	<u>16,918</u>	<u>123,014</u>
Net	\$ 14,296	\$ (5,842)	\$ 8,454
Beginning net assets	4,493	15,198	19,691
Other financing sources, net	<u>1,939</u>	<u>(1,939)</u>	<u>-</u>
Ending net assets	<u>\$ 20,728</u>	<u>\$ 7,417</u>	<u>\$ 28,145</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted no budget amendments.

During the year ended June 30, 2004, disbursements did not exceed budgeted amounts and the District did not exceed its unspent authorized budget.



## OTHER SUPPLEMENTARY INFORMATION

REMSEN-UNION COMMUNITY SCHOOL DISTRICTCOMBINING BALANCE SHEET - NONMAJOR FUNDSJUNE 30, 2004ASSETS

	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Cash and pooled investments	\$ 34,598	\$ 54,938	\$ 1,367	\$ 1,174	\$ 92,077
Receivables:					
Property tax:					
Current year	717	-	-	-	717
Succeeding year	58,493	-	-	-	58,493
Accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>310</u>	<u>310</u>
Total assets	<u>\$ 93,808</u>	<u>\$ 54,938</u>	<u>\$ 1,367</u>	<u>\$ 1,484</u>	<u>\$ 151,597</u>

LIABILITIES AND FUND EQUITY

Liabilities:					
Deferred revenue:					
Succeeding year property tax	<u>\$ 58,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,493</u>
Fund equity:					
Reserved for debt service	\$ -	\$ -	\$ 1,367	\$ -	\$ 1,367
Unreserved fund balances	<u>35,315</u>	<u>54,938</u>	<u>-</u>	<u>1,484</u>	<u>91,737</u>
	<u>\$ 35,315</u>	<u>\$ 54,938</u>	<u>\$ 1,367</u>	<u>\$ 1,484</u>	<u>\$ 93,104</u>
Total liabilities and fund equity	<u>\$ 93,808</u>	<u>\$ 54,938</u>	<u>\$ 1,367</u>	<u>\$ 1,484</u>	<u>\$ 151,597</u>

## REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

## FUND BALANCES - NONMAJOR FUNDS

YEAR ENDED JUNE 30, 2004

	Management <u>Levy</u>	Student <u>Activity</u>	Debt <u>Service</u>	Capital <u>Projects</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 50,572	\$ -	\$ 248,106	\$ 1,484	\$ 300,162
Other	<u>190</u>	<u>97,888</u>	<u>994</u>	<u>-</u>	<u>99,072</u>
Total revenues	<u>\$ 50,762</u>	<u>\$ 97,888</u>	<u>\$ 249,100</u>	<u>\$ 1,484</u>	<u>\$ 399,234</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 4,467	\$ -	\$ -	\$ -	\$ 4,467
Special instruction	332	-	-	-	332
Other instruction	<u>376</u>	<u>87,292</u>	<u>-</u>	<u>-</u>	<u>87,668</u>
	<u>\$ 5,175</u>	<u>\$ 87,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,467</u>
Support services:					
Student services	\$ 80	\$ -	\$ -	\$ -	\$ 80
Administration services	583	-	-	-	583
Operation and maintenance of plant services	40,594	-	-	-	40,594
Transportation services	<u>3,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,380</u>
	<u>\$ 44,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,637</u>
Other expenditures:					
Long-term debt:					
Principal	\$ -	\$ -	\$ 200,000	\$ -	\$ 200,000
Interest	<u>-</u>	<u>-</u>	<u>47,733</u>	<u>-</u>	<u>47,733</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,733</u>	<u>\$ -</u>	<u>\$ 247,733</u>
Total expenditures	<u>\$ 49,812</u>	<u>\$ 87,292</u>	<u>\$ 247,733</u>	<u>\$ -</u>	<u>\$ 384,837</u>
Excess of revenues over expenditures	\$ 950	\$ 10,596	\$ 1,367	\$ 1,484	\$ 14,397
Fund balances beginning of year	<u>34,365</u>	<u>44,342</u>	<u>-</u>	<u>-</u>	<u>78,707</u>
Fund balances end of year	<u>\$ 35,315</u>	<u>\$ 54,938</u>	<u>\$ 1,367</u>	<u>\$ 1,484</u>	<u>\$ 93,104</u>

REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2004

ACCOUNT:	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 4,950	\$ 41,377	\$ 36,672	\$ 9,655
Class of 2001	(80)	-	-	(80)
Class of 2002	542	-	-	542
Class of 2003	402	-	-	402
Class of 2004	1,539	393	1,449	483
Class of 2005	3,504	1,097	2,313	2,288
Class of 2006	3,464	550	-	4,014
Class of 2007	2,005	402	-	2,407
Class of 2008	991	5,050	2,917	3,124
Class of 2009	-	30	-	30
Have club	9,669	34,318	26,572	17,415
Annual	2,139	6,972	6,343	2,768
Student council	3,218	3,338	6,966	(410)
Cheerleaders	41	1,699	1,008	732
Drill team	449	685	693	441
Spanish club	-	-	-	-
National Honor Society	1,110	851	1,009	952
Renaissance	<u>10,399</u>	<u>1,126</u>	<u>1,350</u>	<u>10,175</u>
Total	<u>\$ 44,342</u>	<u>\$ 97,888</u>	<u>\$ 87,292</u>	<u>\$ 54,938</u>

REMSSEN-UNION COMMUNITY SCHOOL DISTRICTSCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTIONALL GOVERNMENTAL FUNDSFOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues:				
Local sources:				
Local tax	\$ 2,008,984	\$ 1,645,341	\$ 1,634,222	\$ 1,601,641
Tuition	85,364	63,168	43,650	46,597
Other	244,467	199,364	173,039	205,752
State sources	1,203,310	1,515,992	1,488,061	1,558,138
Federal sources	170,359	140,385	111,541	124,159
Other financing sources	<u>9,937</u>	<u>2,154,820</u>	<u>3,960</u>	<u>237</u>
Total	<u>\$ 3,722,421</u>	<u>\$ 5,719,070</u>	<u>\$ 3,454,473</u>	<u>\$ 3,536,524</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,539,849	\$ 1,484,744	\$ 1,488,003	\$ 1,472,240
Special instruction	418,707	390,874	396,139	400,069
Other instruction	377,883	361,844	370,816	399,342
Support services:				
Student services	13,251	69,230	89,175	91,664
Instructional staff services	40,812	44,913	75,657	72,096
Administration services	253,594	305,275	281,356	292,182
Operation and maintenance of plant services	296,998	289,133	248,492	232,142
Transportation services	168,367	194,836	196,416	206,953
Other expenditures:				
Facilities acquisition	1,731,306	103,996	38,078	50,400
Long-term debt:				
Principal	200,000	-	-	-
Interest and other charges	47,733	-	-	-
AEA flow through	<u>147,379</u>	<u>159,867</u>	<u>162,475</u>	<u>168,430</u>
Total	<u>\$ 5,235,879</u>	<u>\$ 3,404,712</u>	<u>\$ 3,346,607</u>	<u>\$ 3,385,518</u>



KING, REINSCH, PROSSER & CO., L.L.P.  
Certified Public Accountants  
Member Private Companies Practice Section of AICPA

522 4TH STREET, SUITE 200  
SIOUX CITY, IA 51101-1620  
(712) 258-5550  
FAX (712) 277-6705

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of  
Remsen-Union Community School District

We have audited the financial statements of the Remsen-Union Community School District (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to

To the Board of Education  
Remsen-Union Community School District

record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

October 6, 2004  
Sioux City, Iowa

*King, Reinsch, Prosser & Co., L.L.P.*

REMSSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04     Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or irregularities. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties of the general, special revenue and debt service funds as well as the enterprise fund.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting

II-A-04     Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.



REMSEN-UNION COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting (Continued)

- II-B-04    Certified Budget - Expenditures for the year ended June 30, 2004 did not exceed the amount budgeted in any of the functional areas.
  
- II-C-04    Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
  
- II-D-04    Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
  
- II-E-04    Business Transactions - We noted no business transactions between the District and District officials or employees that would appear to constitute a conflict of interest.
  
- II-F-04    Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
  
- II-G-04    Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
  
- II-H-04    Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
  
- II- I-04    Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
  
- II- J-04    Certified Annual Report - The Certified Annual Report (CAR) was timely filed with the Department of Education and we noted no significant deficiencies in the amounts reported.